Program Evaluation Division

Division Activities and Accomplishments:
2008 - 2018

Report to the
North Carolina General Assembly

June 30, 2019
Division Activities and Accomplishments: 2008–2018

June 2019

Dear Honorable Members of the General Assembly,

We are a permanent non-partisan legislative staff unit of the Legislative Services Office established by law in 2007 to determine if programs of state government are returning sufficient benefits to justify continued taxpayer investment.¹

We have been very active during our first 10 years, producing 124 reports with several having legislative action. We include recommendations in our reports for increasing the efficiency and effectiveness of state government. This publication follows up on those recommendations to determine what actions have been taken by the General Assembly or the agencies that were the subject of our evaluations.

Sincerely,

John W. Turcotte
Director

Program Evaluation Division Return on Investment

From 2008 through December 2018, the Program Evaluation Division (PED) has recommended $170.1 million in recurring savings and $115.3 million in non-recurring savings to the State. Though agencies and the General Assembly have the option to implement or reject recommendations, those that have been implemented demonstrate that the division’s work is cost beneficial. At present, division recommendations adopted by its directing committee, the Joint Legislative Program Evaluation Oversight Committee (JLPEOC), and implemented by agencies or the General Assembly save the State $38.6 million annually. PED’s 2017–18 annual recurring budget is $1.7 million, for an annual recurring benefit-to-cost ratio of almost 23 to 1. An additional $37.7 million in non-recurring savings also has been implemented based on PED’s recommendations.

Outcomes at a Glance

- The General Assembly has enacted legislation based on 42 PED reports.
- PED was selected as the recipient of the 2014 Excellence in Evaluation Award from NLPES. The Excellence in Evaluation Award is presented to an office that is determined to have made significant contributions to the field of legislative program evaluation during a four-year period. The Excellence in Evaluation Award is awarded to only one state’s office in a given year.
- PED hosted the annual Professional Development Seminar for the National Legislative Program Evaluation Society in 2014.

¹ Session Law 2007-78.
Joint Legislative Program Evaluation Oversight Committee (JLPEOC)

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Doris Gilbert

Legislative Oversight Organization in North Carolina

The Program Evaluation Division (PED) assists the General Assembly in fulfilling its responsibility to oversee government functions. PED primarily supports legislative oversight by conducting independent evaluations of state government as directed by the Joint Legislative Program Evaluation Oversight Committee (JLPEOC). As legislators perform their oversight function, they often have questions about how policies are being implemented, how money is being spent, and what results are being achieved. PED addresses those questions from an unbiased perspective through program evaluations.

Legislative Oversight Organization Across the Country

North Carolina was one of the last states to create a legislative program evaluation unit. The organizational placement of legislative evaluation units varies across the country (see figure below). About one-quarter of states, including North Carolina, have evaluation offices that operate as independent legislative units. Almost half of states have evaluation offices that are part of the legislative auditor’s office, whereas only a few states have evaluation offices within a legislative oversight or other committee. About two-thirds of states have a separate office that also conducts audits, typically a state auditor that conducts mainly financial audits as part of the executive branch.

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Program Evaluation Process

Preliminary Research

Entrance Conference with Agency and Data Request

Evaluation Plan

Data Collection Data Analysis

Confidential Draft Report Sent to Agency

Exit Conference and Agency Response to Report

Final Report Presented to JLPEOC

Process for Determining Report Topics

General Assembly Projects Added by Law or Special Appropriations Provisions

JLPEOC Co-Chairs

Legislator Requests for a Work Plan Project

Joint Legislative Program Evaluation Oversight Committee (JLPEOC)

JLPEOC Plan Amendments

Approved Biennial Work Plan

Proposed Biennial Work Plan

Summary of PED Reports Released to Date

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Total Reports Released to Date: 126
# Report Titles by Year

## 2014–2018 Reports

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- Improved Administrative Program Monitoring by DPI Can Save Over $19 Million Annually
- North Carolina Needs to Strengthen Its System for Monitoring and Preventing the Abuse of Prescribed Controlled Substances
- North Carolina Needs a Coordinated Strategy to Guide the Changing Landscape of Veterans Programs
- Performance Measurement and Monitoring Would Strengthen Accountability of North Carolina’s Driver Education Program
- Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed
- Revising State Child Support Incentive System Could Promote Improved Performance of County Programs
- Overnight Respite Pilot at Adult Day Care Facilities Perceived as Favorable, but Lacked Objective Measures of Success
- DHHS Should Integrate State Substance Abuse Treatment Facilities into the Community-Based System and Improve Performance Management

2008–2013 Report Listing

- North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan*
- Programs for Children, Youth, and Families Need Guiding Framework for Accountability and Funding^*
- Statutory Changes Will Promote County Flexibility in Social Services Administration''^*
- Purchasing Consortiums and Merging Community Colleges Could Save $26.2 Million Over Seven Years
- Child Nutrition Programs Challenged to Meet Nutrition Standards, Maintain Participation, and Remain Solvent
- Compared to Other States’ Retirement Plans, TSERS is Well Funded and Its Plan Features Are Typical or Less Generous'^
- Selling 25 Underutilized Aircraft May Yield Up to $8.1 Million and Save $1.5 Million Annually
- Addressing Deficiencies in State Purchasing and Contracting
- High School Graduation Project Requirement Should Remain a Local School District Decision*
- UNC Enrollment Change Funding Formula Needs Documentation and a Performance Component
- University Distance Courses Cost More to Develop Overall but the Same to Deliver as On-Campus Courses
- Feasibility of Restructuring Budget and Financial Management of North Carolina State Government^*
- Eliminating the Underground Storage Tank Cleanup Backlog Will Require at Least $549 Million
- North Carolina’s Water and Wastewater Infrastructure Funding Lacks Strategic Focus and Coordination
- Accountability Gaps Limit State Oversight of $694 Million in Grants to Non-Profit Organizations
- Department of Environment and Natural Resources Wetland Mitigation Credit Determinations
- Enhanced Services Package Implementation: Costs, Administrative Decision Making, and Agency Leadership
- Controlling the Cost of Medicaid Private Duty Nursing Services
- North Carolina’s Alcohol Beverage Control System Is Outdated and Needs Modernization*
- Project Management Lapses and Planning Failures Delayed Court Technology Improvements
- Consolidating Agricultural Research Facility Management Would Improve Efficiency and Effectiveness
- Improving Regional Economic Development through Structural Changes and Performance Measurement Incentives
- Doubtful Return on the Public’s $1.41 Billion Investment in Poorly Managed Vehicle Inspection Programs
- Caring for Previously Hospitalized Consumers: Progress and Challenges in Mental Health System Reform
- Compromised Controls and Pace of Change Hampered Implementation of Enhanced Mental Health Services
- State and Local Improvements Needed for Workforce Development System Integration and Accountability*
- Key Ideas from Five Program Evaluation Division Reports on State-Owned Vehicles and Permanent License Plates
- Stronger Reporting and Management Structure Would Improve State Bureau of Investigation Vehicle Oversight
- Merger of the Human Relations Commission with the Civil Rights Division Would Yield Limited Cost Savings
- Operational Changes for State Attractions Could Yield $2 Million Annually and Reduce Reliance on the State
- North Carolina Should Require NC Railroad Company to Pay an Annual Dividend and Strengthen Reporting
Options for the Indian Cultural Center Will Allow the Site to Meet Its Cultural, Recreational, and Economic Development Intent

Contract Agency Vehicle Registration and Titling Services Are Cost Efficient, but Contracts Need Performance Terms

A Three-Year Emissions Inspection Exemption Would Save North Carolina Motorists $9.6 Million

Further Reductions to Aviation Programs Are Possible and an Aviation Management Authority is Needed

The UNC System Needs a More Comprehensive Approach and Metrics for Operational Efficiency

Overview of School Choice Options Provided by Colorado's Douglas County School District

Options for Creating a Separate Department of Medicaid Require Transition Planning

Centralized Fleet Operations Will Improve Management and Oversight of Department of Public Safety Vehicles

North Carolina Does Not Track Lands Submerged Under Navigable Rivers or Know the Extent of Private Claims

The Division of Public Health Should Remain in the Department of Health and Human Services

The UNC System Needs a More Comprehensive Approach and Metrics for Operational Efficiency

*denotes NLPES Impact Award
^denotes NCSL Notable Document

Cyclical Reports

How North Carolina Compares

Legislation Enacted Based on PED Reports
Report Summaries and Action Taken by Year

2018 Reports

Modifications to Inmate Pharmacy Purchasing and Monitoring Could Save $13.4 Million Annually

**Summary:** Pharmaceutical-related expenditures for inmates totaled $72.7 million in Fiscal Year 2016–17, an 88% increase from five years ago. The Program Evaluation Division (PED) found North Carolina’s failure to participate in a federal discount program caused the State to pay more for inmate prescription medications than necessary. Corrections departments in 16 other states have established such arrangements, which could save North Carolina approximately $13.3 million annually. PED also found the Department of Public Safety (DPS) cannot ensure the effectiveness of expenditures for certain high-cost medications that inmates are allowed to keep on their person; does not collect sufficient data to take disciplinary action when medications are lost during inmate transfer; and does not perform adequate data collection and oversight of prescriptions filled at local pharmacies. Finally, North Carolina does not charge inmates copayments for prescriptions; establishing such charges could generate up to $1.5 million annually. The General Assembly should direct DPS and UNC to establish a 340B discount program and direct DPS to require certain high-cost medications not be kept on an inmate's person; establish controls and collect and analyze data on medications lost during transfer; and develop statewide contracts with retail pharmacies for local medication purchases and develop an oversight mechanism.

**As a result of this study:**

**Legislation**

Session Law 2019- 2018-143:

- directed the Legislative Services Commission to contract for a consultant with expertise in the United States Health Resources and Services Administration (HRSA) 340B program to prepare a proposal for the HRSA-compliant purchasing of inmate medications through a Disproportionate Share Hospital, including, but not limited to, the University of North Carolina Health Care System; and
- directed DPS Health Services to revise its policies and procedures such that any supply of a prescription for treating conditions other than HIV with a persupply value of $1,000 or more be designated as Direct Observation Therapy; collect data, develop internal controls, establish disciplinary actions, and initiate an internal audit of processes related to medication losses occurring during inmate transfer; and adopt a statewide reimbursement for local purchases of limited quantities of medicine, obtain monthly electronic invoices of prescriptions filled by each prison from the vendor, and establish a formal oversight mechanism to ensure prescriptions written by providers to be filled at local pharmacies do not exceed the quantities specified in the department's policy.

**Actions**

- The Legislative Services Commission awarded the contract for preparing a proposal for purchasing inmate medications through the HRSA 340B program to Powers Pyles Sutter & Verville PC. The Powers Law Firm presented its proposal to the Joint Legislative Program Evaluation Oversight Committee on May 20, 2019.
- DPS Health Services has implemented the recommendation to revise its medication administration protocol to require each supply of certain medications worth more than $1,000 be designated as Direct Observation Therapy.
- A workgroup with Nursing, Pharmacy, and Clinical Informatics representatives met in January 2019 to address medication loss during inmate transfer. The next workgroup meeting will add Custody representation.
- A Request For Proposal for local medication purchase services is in the development phase.
Improvements to Inmate Healthcare Reimbursement and Internal Processes Could Save $5.6 Million Annually

**Summary:** North Carolina provides health services to inmates at a cost of $322 million annually, an $89 million increase from 10 years ago. The Program Evaluation Division (PED) found the Department of Public Safety’s Health Services division (DPS Health Services), which manages and delivers inmate healthcare services, is partially funded by lapsed salaries and cannot demonstrate results from cost-containment efforts. PED also found statutory and contractual payment arrangements cause the State to reimburse community providers at rates higher than other states. Further, chronically vacant health services positions and subsequent reliance on contract staff costs $25 million annually, and the limited use of telemedicine has contributed to unnecessary costs. Finally, DPS Health Services’s methods for pursuing federal Medicaid funding for community services has been unsuccessful. The General Assembly should direct DPS Health Services to conduct a salary study of healthcare positions, seek federal reimbursement for Medicaid-related staff activities, modify data collection and submission methods for Medicaid applications, develop a plan for implementing telemedicine, and improve supply management practices and services. Further, the General Assembly should modify state law to reduce community provider reimbursement rates and consider establishing a data analysis position and realigning DPS Health Services’s base budget.

**As a result of this study:**

**Legislation**
- **House Bill 141/Senate Bill 439 (2019–2020)** would appropriate funds to DPS Health Services to fund one full-time Social Research Specialist III position to analyze data on inmate health care.

**Actions**
- A workgroup is currently working on the recommendation to develop a feasibility and implementation plan for the Central Prison Healthcare Complex that includes methods to increase usage of the facility.
- DPS is working with DHHS on recommendations related to Medicaid staff activities.
- A human resources workgroup has been established and is working on recruiting/hiring and retention ideas.
- Budgeting for telemedicine equipment is in the new budget and will allow for the expansion of telemedicine. Currently, DPS is developing plans to use telemedicine to eliminate potential emergency room trips, and talks have begun to expand the use of telemedicine with UNC providers.

Modifying Criteria for North Carolina’s Medical Release Program Could Reduce Costs of Inmate Healthcare

**Summary:** Medical release programs allow for the release of inmates for certain reasons (e.g., age, medical condition) under specific terms (e.g., parole, furlough). A primary goal of these programs is to reduce healthcare expenditures. Advocates of these programs contend that qualifying inmates have lower recidivism rates and that their release shows compassion and potentially reduces overall state expenditures. Opponents contend that these inmates still pose a public safety risk and that their release compromises justice and could have a damaging psychological impact on victims.

Established in 2008, North Carolina’s medical release program is somewhat more stringent than programs in other states. The number of inmates approved for medical release in North Carolina is similar to other states, suggesting the State’s program is functioning well and further indicating there is limited opportunity to achieve greater cost savings. States experience similar factors that restrict the cost savings they achieve from medical release programs, but modifications to state law could lead to more inmates being approved for medical release. If the General Assembly seeks to broaden the pool of qualifying inmates, it should consider expanding eligibility to inmates convicted of Class B crimes, lowering the minimum age to 60, and expanding eligibility to those inmates diagnosed as having less than 18 months to live.

Summary: County inmates who are referred by county sheriffs to be temporarily housed at a state prison are known as Safekeepers. The Program Evaluation Division found that the Department of Public Safety (DPS) does not systematically collect, analyze, or report data on usage of healthcare services by Safekeepers, which prevents DPS Health Services from determining if their medical needs exceed the capabilities of county jail facilities, conducting analysis of the rationales for admissions, and calculating healthcare costs. The State can recoup state Safekeeper costs by withholding Statewide Misdemeanant Confinement Program (SMCP) payments for services provided by counties for state inmates; however, counties are not required to participate in SMCP. The General Assembly should (1) modify state law to change the per diem rate for counties that fail to reassume custody of their Safekeepers in a timely manner and direct DPS Health Services to collect additional data, update the rates charged for medical services, and require that all facilities bill counties for Safekeeper services and (2) modify state law to prohibit non-SMCP-participating counties with past-due balances from transferring Safekeepers to prisons for medical purposes and modify the process by which Safekeepers are admitted to prisons for medical purposes.

As a result of this study:

Legislation

House Bill 108/Senate Bill 118 (2019–2020) seeks to improve data collection and cost recovery practices for health care services for Safekeepers.

Measurability Assessment: Department of Administration Programs

Summary: The Department of Administration (DOA) provides centralized administrative support for state agency operations. DOA acts as the business manager for North Carolina state government and provides internal services and programs for state agencies. Session Law 2017-57, Section 10A.5.(b) directed the Program Evaluation Division to conduct measurability assessments of DOA’s 12 programs. Overall, DOA’s programs performed well in terms of having cost sharing documents and an accounting system. DOA has several efforts underway that resulted in most programs getting partial credit for having a logic model and a strategic plan and for conducting performance measurement. Although DOA complies with statewide standards regarding risk assessment, financial forecasting, and auditing, the Measurability Assessment Guidebook contains stretch standards that resulted in most programs only receiving partial credit for these indicators. Lastly, the areas in which DOA could use the most improvement pertain to quality improvement systems and staffing analysis.

Measurability Assessment: Transforming Principal Preparation Program

Summary: Session Law 2017-57, Section 10A.5.(b) directed the Program Evaluation Division to administer a measurability assessment of the Transforming Principal Preparation Program. Pursuant to Chapter 143E, the Division contracted with an independent assessor to perform the assessment. The Division selected Vangaard Evidence-Based Consulting, LLC from a pool of assessors. The Transforming Principal Preparation Program fully meets 8 and partially meets 6 of the 14 measurability assessment indicators. Session Law 2017-57 also directed the Program Evaluation Division to make recommendations regarding periodic reporting by the Transforming Principal Preparation Program. The General Assembly should direct the North Carolina State Education Assistance Authority to collect long-term outcome data for the Transforming Principal Preparation Program on the number of graduates who secure positions in high-need schools and amend its cooperative agreement with the North Carolina Alliance for School Leadership Development to require specific output and outcome data in annual reports on the Transforming Principal Preparation Program.
VIPER and FirstNet are Vital for Public Safety Interoperability, but VIPER Requires Upgrades

Summary: North Carolina’s Voice Interoperability Plan for Emergency Responders (VIPER) and FirstNet technologies share the common purpose of improving interoperability for public safety first responders, but the Program Evaluation Division (PED) found the two systems complement rather than duplicate functionality. Each system possesses important capabilities for first responders that the other system does not offer. In addition, the VIPER system is supported by equipment purchases and in-kind contributions from local agencies, and PED found that charging user fees could reduce participation in the network and diminish statewide interoperability. Furthermore, approximately 70% of VIPER’s 220 sites contain infrastructure or equipment from non-state entities, and these partnerships are crucial to VIPER’s success. PED found that failure to upgrade VIPER’s base stations and related software will adversely affect VIPER’s continued reliability and interoperability. The General Assembly should direct the Department of Public Safety to increase its VIPER outreach programs and determine the value of in-kind contributions. The General Assembly should also consider appropriating funds to upgrade VIPER base stations and establish routine software updates.

As a result of this study:

Legislation

- **Session Law 2018-5, Section 16B.1** directed the Department of Public Safety (DPS) to determine the value of all in-kind contributions made by units of local government, the federal government, and nongovernmental entities to support VIPER; increase outreach to VIPER stakeholders beyond those that participate in the State Interoperability Executive Committee, to potentially include zone or regional meetings conducted by the State Highway Patrol with local chiefs of police, sheriffs, fire chiefs, and representatives of emergency medical services; and conduct an annual survey of local, state, and federal users of VIPER in order to track and measure user satisfaction and feedback over time.

- **Session Law 2018-5, Section 16B.2** transferred $16.5 million for VIPER support and upgrades.

Actions

- During the past year, VIPER staff have attended State Interoperability Executive Committee meetings and the North Carolina Emergency Management Conference; have met with the North Carolina 911 Board, North Carolina’s Chapter of MTUG (Trunked Radio User Group) at the statewide and regional levels; and have met locally with representatives of Gaston, Carteret, Warren, Chatham, and Lincoln counties. VIPER staff also worked with representatives from various state agencies, the US Coast Guard, and the US Marine Corps to introduce or improve interoperability among the VIPER user community.

- VIPER staff have requested and received the survey questions sent by PED, which will be used in the annual survey for continuity and as a benchmark for subsequent survey responses. An annual survey will be sent to all VIPER users with a report to the Joint Legislative Oversight Committee on Justice and Public Safety by November 1, 2019.

- VIPER staff have solicited Tower Engineering Professionals (TEP) to assist in data collection with the purpose of providing an unbiased report of in-kind contributions to the VIPER system. Following completion of data collection, internal VIPER team review, and State Highway Patrol senior management review, DPS plans to present an official report to the Joint Oversight Committee on Justice and Public Safety by July 1, 2019.
• Actions related to legislative funding:
  o All funds have been encumbered of the $8.7 million awarded for the GTR upgrade. All equipment has been delivered, with 75% field installation completed. The remaining 25% of field installation is scheduled for completion by fiscal year’s end.
  o All funds have been encumbered of the $5 million awarded for the Service Upgrade Assurance Catch-Up. All system upgrades to 7.17 have been completed. All funds have been encumbered of the $1.5 million awarded for the Service Upgrade Assurance. Motorola is providing support for the VIPER system 7.17 Upgrade. Console upgrades are scheduled for completion by fiscal year’s end.
  o All funds have been encumbered of the $1.3 million awarded for MOSCAD Security Monitoring. Equipment installation is scheduled for completion by October 1, 2019.

Opportunities Exist to Enhance the Effectiveness of the Educator Preparation Program Data Reporting System

Summary: An Educator Preparation Program (EPP) provides individuals with the knowledge, skills, and training to meet teacher licensure requirements and secure teaching positions. North Carolina currently has 47 approved EPPs housed within public, private, or independent colleges and universities. The Program Evaluation Division found the current approach to EPP reporting produces documents that are difficult to interpret, lacking uniformity and helpful data indicators. PED found the State has the data and advisory bodies needed to adopt a streamlined approach to reporting in the form of a performance-based, weighted model that reflects state priorities and assesses EPP performance individually and comparatively. PED built such a model to demonstrate the State’s ability to enhance reporting. PED recommends the General Assembly add an EPP employment performance standard to state law; direct adoption of a small group exception for EPP sanctioning; direct development of a plan for incorporating private EPP data into the UNC Educator Quality Dashboard and management thereof; and require the development of a performance-based, weighted model for reporting EPP data to replace current reporting efforts.

As a result of this study:

Legislation
  • Session Law 2018-32, Section 3.(a) directed the State Board of Education to create an annual report card in a common format for each EPP that summarizes the information collected in the annual performance reports, is easily comparable between EPPs, and is available to the public through the State Board’s website.
  • House Bill 107/Senate Bill 101 would make changes to the EPP performance standards and data reporting system.

The System of Attorney Allocation in North Carolina State Government is Decentralized

Summary: The use of attorneys and legal professionals is widespread throughout North Carolina state government. Concentrating on traditional, state-level attorney positions, the Program Evaluation Division examined 719 attorney positions with total budgeted salaries of $67.7 million at 34 state government organizations. As of September 15, 2017, the Department of Justice (DOJ) had 304 attorney positions with total budgeted salaries of $27.6 million. Because only 42% of the 719 positions examined by PED are under the control of DOJ, the State’s system of attorney allocation can be characterized as being decentralized. PED also found all of the 21 principal departments in North Carolina state government have at least one in-house general counsel or a similar attorney position; North Carolina state entities are able to use private attorneys for legal assistance in some instances; and state organizations may employ private counsel when given explicit approval from the Governor’s Office or from the General Assembly.
Opportunities Exist to Improve the Efficiency of the State’s Administrative Services

Summary: The Department of Administration (DOA) acts as the business manager for North Carolina state government and provides internal services and programs for state departments. The Program Evaluation Division identified opportunities to improve operational efficiencies in six DOA divisions. These efficiency opportunities include transitioning employees from state-owned properties to leased properties; ensuring compliance with space standards for each state-owned and leased office facility; increased use of contracted services to perform facility management activities; enhanced monitoring and compliance with state term contracts; increased use of competitive bidding for contracted services; effective use of information from telematics; electronic scanning of incoming mail; increased use of electronic communications; increased utilization of the State’s presort mail contract; and leasing underutilized parking spaces. Additional operational efficiencies can be achieved through the establishment of legislative performance measures for these divisions. The General Assembly should require that business case analyses be performed and statutes be amended to include legislative performance measures. In addition, DOA should be directed to establish a dedicated Project Management Office.

As a result of this study:

Legislation

House Bill 1042/Senate Bill 759 (2017-2018) recommended improved efficiencies of the State’s administrative services. This legislation was not enacted.

Actions

- DOA is in the process of securing contract management for goods and services with implementation expected in late 2019.
- Total cost of ownership for managed vehicles was re-evaluated in 2017, with new rates taking effect in 2018. DOA continues to seek efficiencies in motor fleet management.

Minimal Evidence Found of Service Duplication for Students with Disabilities in Schools and Communities

Summary: Federal and state law require individuals with disabilities be provided with a free appropriate public education. Because students with disabilities may be receiving services in multiple settings that are covered by multiple funding streams, the potential exists for duplication of services. However, the Program Evaluation Division (PED) found there is minimal evidence of duplication of Medicaid-covered services across school and community settings. PED found that North Carolina complies with the Individuals with Disabilities Education Act (IDEA) and effectively provides services to students with disabilities. PED also found that the Department of Public Instruction’s (DPI’s) Exceptional Children Division provides technical assistance to Local Education Agencies (LEAs) yet does not systematically measure the effectiveness of these efforts. Lastly, PED found that North Carolina’s new health information exchange, NC HealthConnex, could improve service delivery coordination, but failure to meet the statutory connectivity deadline could negatively impact LEA funding. The General Assembly should direct DPI to establish methods for soliciting feedback from LEAs’ Exceptional Children Directors and direct the Department of Information Technology to determine the feasibility of and fiscal impact on LEAs in meeting mandatory NC HealthConnex connectivity requirements.

As a result of this study: House Bill 90/Senate Bill 64 (2019–2020) would require DPI’s Exceptional Children division to develop as part of its policies and procedures a system of evaluation of the division’s technical assistance and support programs provided to LEAs and would require the Department of Information Technology to study the feasibility of LEAs participating in NC HealthConnex.
Local Education Funding Dispute Resolution Process Is Effective and Economical, but Litigation Could Be Eliminated

**Summary:** In North Carolina, local education agencies and local boards of education are fiscally dependent on county commissioners for local appropriations to support capital and operations for public K-12 education. When local boards of education and boards of county commissioners cannot reach agreement on a budget, state law sets out a procedure for achieving resolution that is structured into two phases: pre-litigation and litigation. This process is used infrequently and seldom reaches the litigation phase; when the process has been used, the outcomes have not historically favored either party and may serve to improve future budgeting efforts. However, litigation is costly and time-consuming. North Carolina and Tennessee are the only states with elected school boards that are fiscally dependent on county commissioners, but Tennessee uses a default funding mechanism to avoid litigation. If it wants to eliminate litigation from North Carolina’s local education funding dispute process, the General Assembly should revise state law for settling disputes to preserve the benefits of the pre-litigation phase while replacing the litigation process with a default funding mechanism. The General Assembly should also direct the Local Government Commission and School of Government at the University of North Carolina at Chapel Hill to convene a working group to develop and recommend statutory parameters for fund balances maintained by local boards of education.

**As a result of this study:** [Session Law 2018-83](#) repealed the statutory authority for a local board of education to file a legal action challenging the sufficiency of funds appropriated by a board of county commissioners; provided a formula for determining the amount of funds to be appropriated in the event a budget dispute cannot be resolved by mediation; and established a working group to address fund balances maintained by local boards of education.

Reducing Off-Season Crossings, Adjusting Fares, and Using Partnerships Can Improve Ferry Division Efficiency

**Summary:** The North Carolina Department of Transportation’s (DOT’s) Ferry Division is responsible for providing safe, cost-effective, and dependable service for local residents and visitors. The Program Evaluation Division found that the Ferry Division can save over $1.5 million annually by reducing the number of crossings on routes during periods of lower use and can increase annual fare collections on currently tolled routes by $1.7 million without adversely affecting area commuters. Additionally, using partnerships with other government entities and the private sector can reduce state funding requirements and improve the effectiveness of the ferry system. The General Assembly should amend state law to direct DOT to produce a long-range plan for the ferry transportation system, apply for a grant from the Golden LEAF Foundation for necessary support services, and evaluate the schedule of crossings for each ferry route to ensure services cost-effectively meet the needs of both area residents and tourists.

**As a result of this study:**

**Actions**

- The North Carolina Ferry Division is developing a long-range plan for the system in 2019. The North Carolina Department of Transportation and its Ferry Division are continually exploring ways to deliver services more efficiently while improving the user experience.
Meeting Current Standards for School Nurses Statewide May Cost Up to $79 Million Annually

**Summary:** The need for school nurses is growing due to increased attendance by children with health issues as well as laws and policies expanding the health care responsibilities of schools. In the 2000s, the State created the Child and Family Support Teams (CFST) and the School Nurse Funding Initiative (SNFI) to address this demand. Although these programs increased the number of nurses, the Program Evaluation Division (PED) found only 46 of 115 Local Education Agencies (LEAs) currently meet the school nurse-to-student ratio of 1:750 recommended by the State Board of Education (SBE) in 2004. Achieving that ratio or providing one nurse in every school would cost between $45 million and $79 million annually. PED also found approximately 60% of medical procedures conducted in schools are performed by employees who are not nurses. Furthermore, few LEAs file for Medicaid reimbursement for nursing services. The General Assembly should direct SBE to formulate a new goal and strategic plan for school nurse staffing levels and direct the Department of Health and Human Services and the Department of Public Instruction to combine CFST and SNFI into a single program and implement acuity models at state and local levels.

**As a result of this study:**

**Legislation**

Senate Bill 793 (2017–2018) directed the State Board of Education to recommend a school nurse staffing standard and develop an implementation plan to meet that standard, directed the Department of Health and Human Services (DHHS) and the Department of Public Instruction to develop a plan to consolidate certain school-based nursing funding programs, required DHHS to examine Medicaid rates for school-based nursing services, and established Medicaid reimbursement for school-based nursing services documented on 504 plans and Individual Health Plans. This legislation was not enacted.

**Actions**

- A Medicaid State Plan amendment was submitted to and approved by the Centers for Medicare and Medicaid Services with an effective date of October 1, 2018. It allows NC Medicaid to reimburse LEAs for school-based nursing services documented in an Individual Education Program, Individual Family Service Plan, section 504 Accommodation Plan pursuant to 34 C.F.R. 104.36, Individual Health Plan, or Behavior Intervention Plan.

Options Exist for Increasing Lottery Proceeds for Education

**Summary:** North Carolina is one of 44 states that operates a lottery. In its 10 years of existence, the NC Lottery has returned over $4.6 billion to the State for education purposes. The Program Evaluation Division found that annual revenues have steadily grown since the Lottery’s inception and performance is slightly above average compared with other states. However, it is essential that the NC Lottery continues to examine its operations by reviewing revenue-generating strategies and efforts to reduce costs, thereby providing the maximum benefit to the State. To that end, the Lottery could expand its retailer network, reduce the compensation paid to retailers, authorize Video Lottery Terminals and offer iLottery games online, and enhance data collection and analysis methods to more effectively measure the influence of advertising on sales. The General Assembly should require the NC Lottery to take steps to examine these options and report on their feasibility and effectiveness as applicable.

**As a result of this study:**

House Bill 1036/Senate Bill 790 (2017–2018) made various changes to the North Carolina State Lottery. This legislation was not enacted.
Public School Construction Needs Survey and Recommendations for Funding Options for Selected Districts

Summary: As required by Session Law 2016-94, the Program Evaluation Division contracted with an outside entity, MGT of America Consulting, LLC, to perform an independent assessment of school construction needs and determine which local school administrative units have the highest facility needs in relation to their capacity to raise revenue to meet those needs. The nine districts selected for this report represent those with limited revenue generating capacity and aging building stock. Each school in each district was evaluated using four assessments: building condition, site condition, educational suitability, and technology readiness. The needs assessment portion of the study revealed over $600 million in unmet facility needs across the nine districts. The current process administered by the Department of Public Instruction determines overall capital need based on the self-reporting of each district and has resulted in a degree of discrepancy between district-reported needs and actual needs. To ensure the State has the most reliable data on school capital needs the General Assembly should direct a systematic review of DPI’s administration of the School Facility Needs Survey. Additionally, counties depend primarily on local property tax revenue for school capital construction. This method of funding has resulted in disparity depending on the local wealth of the county along with a backlog of need across the State. Therefore, the State should consider establishing a revolving fund account, identifying alternative sources of funding, developing a consistent methodology for determining capital construction need, and developing a system of prioritizing capital need.

No Modification to North Carolina’s School Calendar Law Satisfies Multiple Competing Interests

Summary: North Carolina is 1 of 14 states that currently prescribe when public schools begin the school year and 1 of 2 states that stipulate a date when public schools must end the school year. Prior to 2004, local boards of education had authority to determine start and end dates. The Program Evaluation Division (PED) found that opinions differ on when public schools should start and end the school year, and no modification to the State’s school calendar law satisfies multiple competing interests, which include organizations representing state government, education, parents and citizens, and travel and tourism. As a result, this report makes no recommendation for changing the school calendar law. PED also found that allowing school calendar flexibility as a mechanism for low-performing schools to address summer learning loss provides an opportunity to increase student performance. To address the needs of low-performing schools, the General Assembly should provide school calendar flexibility for schools and districts identified as low-performing by the State Board of Education and direct the Department of Public Instruction to evaluate whether a modified school calendar increases student performance in low-performing schools and districts.

As a result of this study:
House Bill 837 (2019–2020) would provide additional calendar flexibility to any school that has been identified as a low-performing school under G.S. 115C-105.37.
Timeliness of Medicaid Eligibility Determinations Declined Due to Challenges Imposed by NC FAST and Affordable Care Act Implementation

**Summary:** In North Carolina, county departments of social services (county DSS offices) perform Medicaid eligibility determinations under the supervision of the Department of Health and Human Services (DHHS). County DSS offices failed to meet North Carolina’s timeliness standard for processing Medicaid applications in Fiscal Years 2013–14 and 2014–15. The decrease in timeliness coincided with a workload increase stemming from conditions created by North Carolina Families Accessing Services through Technology (NC FAST) implementation and enactment of the Affordable Care Act. NC FAST offers DHHS the opportunity to proactively manage and monitor county DSS offices, yet the department needs additional resources and authority to hold counties accountable. The General Assembly should authorize DHHS to take over county administration of Medicaid eligibility determinations when warranted; direct DHHS to report on the timeliness of determinations; and appropriate $300,000 to DHHS to support utilization of NC FAST data for performance measurement and evaluation.

**As a result of this study:**

**Legislation**

Session Law 2016-94, Section 12H.17 required DHHS to report on the timeliness of Medicaid eligibility determinations for Fiscal Years 2015–16 and 2016–17; set standards for timely decision and processing of applications; and established corrective action measures for county departments of social services that fail to meet either average processing time standards, percentage processed timely standards, or both standards.

**Actions**

- DHHS submitted the required report for the 2016–17 fiscal year providing information on the timeliness of Medicaid eligibility determinations by county departments of social services.
- Effective January 1, 2017, DHHS began monitoring the timeliness of Medicaid eligibility determinations by county departments of social services and began taking corrective actions according to state law if necessary.

Enhanced Oversight of Service Contracts Can Help Ensure Cost-Effective Performance

**Summary:** State agencies are responsible for each of three phases of contract procurement: sourcing evaluation, contract formation, and contract management. The Program Evaluation Division found that state agencies are not ensuring procurement of contracted services achieves best value. PED examined 133 contracts for high-value services with a total award value of $1.24 billion and found $511 million stemmed from non-competitive practices. State agencies are not adequately adhering to best practices with regards to documenting the basis for their decisions to contract with private providers; are not including all necessary attributes of an effective service contract during the procurement process; and are not ensuring compliance with terms and conditions. State-level monitoring by the Department of Administration’s Division of Purchase and Contract (P&C) has also failed to contribute to achievement of best value. The General Assembly should require state agencies to submit business cases for high-value services to P&C for review and approval in accordance with established criteria and should direct P&C to implement a system to monitor state agency-administered contracted services.

**As a result of this study:** House Bill 976/Senate Bill 789 (2015–16) proposed enhancing oversight of state service contracts. This legislation was not enacted.
Allotment-Specific and System-Level Issues Adversely Affect North Carolina’s Distribution of K-12 Resources

**Summary:** North Carolina distributes state funds for the operation of K-12 public schools through a system consisting of 37 different allotments, each of which reflects a component of the education delivery model. For example, there are separate allotments for classroom teachers, textbooks, administration, and transportation. In Fiscal Year 2014–15, the Department of Public Instruction distributed $8.4 billion in state funds to Local Education Agencies and charter schools through the allotment system. The Program Evaluation Division found issues with individual allotments or issues that span numerous allotments, ranging from unintended consequences of particular methods and formulaic policies and procedures to a lack of rationale for the factors used to determine how resources are distributed. PED also identified deficiencies with the allotment system as a whole resulting from overall system complexity and lapses in the control environment. Based on these findings, the General Assembly should either overhaul the system for how resources are distributed by transitioning to a weighted student funding model that uses individual students as the building blocks for developing a state’s education budget or reform the current system by addressing individual allotment deficiencies and providing direction to improve transparency and accountability.

**As a result of this study:**

**Legislation**

- **Session Law 2017-57, Section 7.12 (2017–2018)** stipulated that no funds shall be transferred out of the limited English proficiency allotment category.

- **Session Law 2017-57, Section 7.23D (2017–2018)** created the Joint Legislative Task Force on Education Finance Reform, outlined its composition, and tasked it with studying various weighted student formula funding models and developing a new model for the elementary and secondary public schools of North Carolina based on a weighted student formula.

Medicaid Program Integrity Section is Not Cost-Effectively Identifying and Preventing Fraud, Waste, and Abuse

**Summary:** The Program Integrity (PI) Section of North Carolina’s Medicaid program is charged with detecting and preventing fraud, waste, and program abuse and ensuring that taxpayer dollars are used appropriately. The Program Evaluation Division found that the number of fraud referrals made by the PI Section has declined in recent years due in part to a lack of access to valid and reliable claim payment data. Additionally, the lack of a formal risk assessment process and performance management information has limited the Section’s cost-effectiveness. Finally, the PI Section is neither effectively monitoring Medicaid recipient eligibility determinations nor effectively utilizing available information gleaned from reviews of eligibility determinations and medical service claims. The General Assembly should amend state law to adopt a uniform methodology to measure the severity of errors; provide incentives for county social services departments to ensure accuracy of eligibility determinations; require the identification of alternatives to increase amounts recouped from overpayments and percentage of fraud referrals accepted; develop a corrective action process for providers selected for enhanced oversight; and produce an annual performance report and work plan.

**As a result of this study:**

**Actions**

- The NC Medicaid Office of Compliance and Program Integrity completed a focused update of its operating policies and procedures in November 2017. Efforts are continuing at realigning workflows and results reporting. NC Medicaid currently works closely with the Medicaid Investigations Division to improve overpayment recoupment efforts. In the coming months NC Medicaid will seek to engage the Office of Administrative Hearings as part of a collaborative effort.
Funding for North Carolina’s Community Colleges: A Description of the Current Formula and Potential Methods to Improve Efficiency and Effectiveness

Summary: The majority of state funding for North Carolina’s 58 community colleges is distributed via a funding formula based on enrollment. North Carolina’s formula is more sophisticated than those used in some other states because it uses a tier system to account for differences in programs and levels of study. The Program Evaluation Division found that the funding formula is functional and generally acceptable to institutions and the State Board, though college presidents expressed concerns about the amount of funding in general. If the General Assembly wishes to change the current funding formula to improve efficiency and effectiveness, it could consider initiatives to increase the equitable distribution of institutional and academic support funds; improve funding stability through the use of a stop-loss provision and by funding the Enrollment Growth Reserve; align tier funding with course costs; refine the existing performance-based funding system; and add needs-based funding to the enrollment portion of the formula.

Opportunities Exist to Increase the Accountability and Independence of the Board of Review

Summary: Session Law 2015-238 directed the Program Evaluation Division (PED) to study the value of the Board of Review, the entity that hears higher authority appeals of unemployment benefit determinations. PED found that elimination of the higher authority appeals function or the Board would not result in any General Fund savings and that both the function and the entity provide benefits. However, the Board is dependent on Division of Employment Security (DES) staff, lacks policies and procedures, and does not track necessary data. The General Assembly should transfer staff from DES to the Board; direct the Board to develop policies and procedures; and direct DES to work with the Board to track and collect necessary data.

As a result of this study: House Bill 961/Senate Bill 781 (2015–16) proposed enhancing the independence and efficiency of the Board of Review. This legislation was not enacted.

PED’s Review of the North Carolina Guaranteed Admissions Program (NCGAP) Report

Summary: Session Law 2015-241 established the North Carolina Guaranteed Admissions Program (NCGAP), a deferred admissions program for postsecondary students identified as academically at risk. In January 2016, the Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division (PED) to assess the methodology and accuracy of conclusions presented in a legislatively mandated report submitted by the UNC Board of Governors and the State Board of Community Colleges on potential program impacts of NCGAP. PED’s review of the NCGAP report found several shortcomings and concluded it may understate community college cohort six-year graduation rates; used flawed measures of intent to attend a university in its sample selection process; excluded important variables in its regression model; failed to consider recent efforts to increase the success of transfer students; understated potential savings to students; may not adequately measure all student debt; estimated decreases in enrollment at UNC institutions without recognizing simultaneous increases in community college enrollment and degree production; and failed to support its estimate of “tens of millions of dollars” being necessary to advise NCGAP-participating students.

As a result of this study:

- The NC Community College System (NCCCS) proposed a community college transfer incentive as part of its 2017 legislative agenda. Under this incentive, a student who completes an associate degree in arts, fine arts, science, or engineering at a NC Community College and transfers to a UNC constituent institution would receive $2,500 per year for up to two academic years.
Most Departments’ Spans of Control and Number of Organizational Layers Do Not Meet Recommended Levels

**Summary:** Spans of control refer to the number of positions a supervisor oversees. Organizational layers refer to the number of levels in an organization. To justify the added costs of management positions, each manager should oversee a sufficient number of subordinates. In the 1990s, the Office of State Budget and Management (OSBM) recommended an overall statewide minimum span of control ratio of 1:8 and a maximum of seven organizational layers. The Program Evaluation Division (PED) found that, at present, only 1 of 21 principal state departments meets the recommended span ratio and 10 departments have more than the recommended number of layers. The executive offices of state departments consist of 237 positions, which on average supervise approximately six positions. PED also found OSBM and the Office of State Human Resources (OSHR) provide limited guidance on structuring departments. The General Assembly should direct OSHR to monitor spans and layers on an ongoing basis and direct OSBM to conduct studies of these topics every five years; these studies could be used as the basis for requiring departments to justify deviations from statewide benchmarks.

**As a result of this study:**

**Legislation**

*House Bill 1033/Senate Bill 774 (2017–2018)* established a process for monitoring spans of control and organizational layers within state agencies. This legislation was not enacted.

**Actions**

- As mentioned in its agency response of February 2018, the Office of State Human Resources has limited staff and technology resources to provide any detailed monitoring of spans of control and organizational layers within agencies. OSHR anticipates that the Governor’s budget will include a request for a new organizational charting tool. This tool will allow OSHR, as well as other agencies, to obtain better data on the State’s current organizational structure. OSHR also recommends that there be additional study regarding the appropriate supervisor-to-employee ratio. As PED’s study notes, academic and practitioner literature generally states that there is no “one size fits all” standard for span of control or organizational layers. OSHR thinks it is appropriate that state departments have broad discretion to determine organizational structures.

**Special Report: Common PED Findings and Recommendations**

**Summary:** The Program Evaluation Division (PED) looked back on its collective work and noticed commonalities among agencies and programs examined and potential root causes of concern that the General Assembly could address in partnership with agencies and local governments. PED hopes agencies and localities will use this report to help preempt potentially critical future evaluations.
North Carolina Should Dispose of Unneeded Real Property and Improve Portfolio Management to Reduce Costs

Summary: North Carolina’s Department of Administration (DOA) is responsible for managing the State’s portfolio of real property, consisting of nearly $28 billion in state-owned buildings and land and $65 million in annual expenditures for leased space. From a sample of 49 state-owned and leased properties, The Program Evaluation Division (PED) identified unneeded properties that could generate an estimated $14.3 million in one-time revenue and provide $2.6 million in future cost avoidance. PED found the State lacks a systematic process and the data to identify unused and underutilized real property and found DOA has not implemented portfolio management practices. The General Assembly should direct DOA to actively manage the State’s portfolio of real property; improve the completeness, accuracy, and security of the State’s inventory of real property; dispose of the unneeded properties identified in this report; and determine if suitable state-owned space can meet lease requests. The General Assembly should also modify state law to require state agencies to collect, track, and report data on state-owned and leased space and maintain a current facilities management plan.

As a result of this study:

Legislation

Session Law 2016-119 required DOA to actively manage the State’s portfolio of real property; measure the current utilization of state-owned facilities; ensure the accuracy of the real property inventories it maintains; and ensure the use of state-owned space is maximized before leases are entered into or renewed.

Actions

- DOA is currently working with legislative leaders to secure the necessary resources to fully comply with Session Law 2016-119 by modernizing the State’s property portfolio by procuring the Real Estate Information System.
- Combined revenue generated by the properties that have been sold or are currently under contract is approximately $6 million.
- Two of the leases highlighted by PED as opportunities to optimize utilization have been terminated and relocated, generating annual savings of approximately $54,000.
- Agencies are required to provide data on utilization in state buildings and leases they occupy using new space standards effective December 1, 2016.

Follow-Up Report

In December 2017, PED issued a follow-up report to this evaluation, highlighting the sale or disposal of properties identified in the report as well as the work performed by CBRE, Inc. with whom DOA contracted to evaluate the State’s current real estate procedures and management structure and advise how the State could increase efficiencies, reduce costs, and improve service delivery.
Unfunded Actuarial Liability for Retiree Health is Large, but State Could Save Up to $64 Million Annually by Shifting Costs to Medicare Advantage Plans

Summary: North Carolina’s Retiree Health Benefit Fund contributes the State’s share of retiree premiums to the State Health Plan. Unfunded liability for the fund is $25.5 billion, and North Carolina is not a strong performer on measures used to compare the funded status of states. Several options to reduce the unfunded liability exist: increasing appropriations, shifting costs to the federal government, transitioning to a defined contribution model, reducing the number of individuals eligible, requiring contributions from active employees, and increasing the amount retirees pay for the benefit. To address the unfunded liability, the General Assembly should direct the State Health Plan to shift costs to the federal government by requiring eligible retirees to be on Medicare Advantage plans, generating an estimated savings of up to $64 million annually, and could appoint a joint committee to determine which other options to pursue in light of financial and legal considerations.

As a result of this study:

Legislation

House Bill 1027/Senate Bill 808 (2015–16) proposed establishing a joint committee to study the unfunded liability of the Retiree Health Benefit Fund. This legislation was not enacted.

Actions

- For the second year in a row, the State Health Plan moved Medicare-eligible subscribers enrolled in the 70/30 Preferred Provider Organization Plan into the UnitedHealthcare (UHC) Medicare Advantage Base Plan during open enrollment. Subscribers had to take action during open enrollment if they wanted to be enrolled in a different plan option. The Plan continues to auto-enroll members all year into the UHC Medicare Advantage Base Plan when they become Medicare-eligible.

- In 2018, the State Health Plan was able to re-negotiate the contract with UHC, which resulted in $55 million in savings for the Plan. A portion of these savings was due, in part, to the reinstatement of the 2019 moratorium on the health insurance tax that was part of the 2010 Affordable Care Act.

- In lieu of a joint committee, the State Health Plan has been able to identify other ways in which to address the state’s unfunded liability. In 2018, the Unfunded Liability Solvency Reserve Act was passed to establish an Employee Benefit Trust Fund to address the State’s unfunded pension and health care liabilities. The reserve is funded through appropriations from the General Assembly, any overflows or statutory excesses from the “Rainy Day Fund,” and savings from the refinancing of general obligation bonds or special indebtedness.

- The State Health Plan also is in the process of implementing a new provider reimbursement strategy, which will change the way the Plan pays providers for medical services received by Plan members. This strategy will use Medicare rates as a reference point and pay providers, on average, 77% above that rate. Medicare provides a standard reimbursement measurement that is publicly available and adjusts for differences in providers. Reference-based pricing is transparent, stabilizes the rates different providers get paid for the same services, and will allow the Plan to compare provider pricing to better project expenses from year to year. This effort is designed to generate $300 million in savings for the State and more than $65 million for Plan members and their dependents, providing a more financially sustainable future for the Plan. It also will bring transparency to pricing, allowing consumers to make more informed choices regarding the purchase of medical services.
North Carolina Should Centralize Management of State Employee Supplemental Insurance Benefits

**Summary:** In addition to offering standard benefits such as health insurance, North Carolina offers state employees the option of purchasing supplemental insurance plans through two separate mechanisms: the NCFlex program, which is administered through the Office of State Human Resources and uniformly available to all eligible state employees, and employee insurance committees, which are housed within individual agencies and universities. The Program Evaluation Division found employee insurance committees are ineffective and have failed to manage the selection of supplemental insurance products. The separation of these committees and NCFlex results in overlapping and duplicative supplemental insurance offerings and makes product comparison and selection challenging for state employees. In addition, weak oversight and management of supplemental insurance elections and payroll deductions by agencies and universities presents risks to employees and the State. The General Assembly should centralize supplemental insurance benefits by creating a single committee that would oversee all supplemental insurance offerings, including the NCFlex program.

**As a result of this study:** House Bill 966/Senate Bill 782 (2015–16) proposed clarifying the selection and strengthening the functioning of employee insurance committees. This legislation was not enacted.

Licensing Processing Fees Are Inequitable; Permit DOI Vendor to Charge Different Processing Fees Based on Effort and Cost

**Summary:** The Department of Insurance's (DOI's) Agent Services Division (ASD) issues licenses to the insurance industry, bail bond industry, and non-insurance business entities. DOI entered into a contract with Pearson VUE in December 2011 to provide administrative services for all license types regulated by the department. The Program Evaluation Division (PED) found that Pearson VUE's licensing processing fees are disproportionate to the relative cost of processing the different types of license applications. PED also found DOI has improved licensure services through outsourcing and ASD continues to work with Pearson VUE to address licensee concerns. The General Assembly should direct ASD to issue a request for proposal for licensing administrative services that allows the contractor to charge different processing fees based on the cost and effort necessary to process licenses for the different industries.

**As a result of this study:**

**Legislation**

House Bill 196/Senate Bill 120 (2015–16) proposed requiring DOI to include differential license processing fees when issuing its next request for proposal for a licensing administrative services contract. This legislation was not enacted.

**Actions**

- ASD reviewed the current statutory language and determined it already provides sufficient statutory authority for contractors to submit bids that include different processing fees based on the effort necessary to process different types of licenses. Subsequently, a request for proposal for a contract that included the provision of license application processing after the receipt of an application was accepted by ASD. The new contract period began in 2017 and includes different processing fees based on the effort necessary to process licenses for the insurance industry, non-insurance business entities, and bail bond industry.
North Carolina Should Eliminate the Use of Personal Services Contracts in Favor of Using Existing Mechanisms

**Summary:** In order to ensure open competition and transparency, the procurement of goods and services by North Carolina state agencies and institutions is subject to numerous laws, rules, and regulations. The Program Evaluation Division found that agencies and institutions have circumvented state law when procuring personal services and have also compensated contractors at high rates. In addition, Executive Branch agencies have violated state law by not obtaining approval for information technology (IT) personal services contracts, and the Office of Information Technology Services (OITS) lacks a process to ensure compliance. Personal services contracts are unnecessary because mechanisms with greater oversight already exist. The General Assembly should enact legislation prohibiting the use of personal services contracts; requiring Executive Branch agencies to use these existing mechanisms; and requiring OITS and the Office of State Budget and Management (OSBM) to approve the procurement of IT services from individuals, report on a biennial basis, and conduct compliance reviews.

As a result of this study:

**Legislation**

Session Law 2015-241, Section 26.2 mandates personal services contracts for Executive Branch agencies shall be subject to the same requirements and procedures as service contracts; no IT personal services contract, nor any contract that provides personnel to perform IT functions regardless of the cost of the contract, may be established or renewed without written approval from the Department of Information Technology and OSBM; and all state agencies that utilize temporary employees to perform work that is not IT-related must employ them through the Temporary Solutions program administered by the Office of State Human Resources (OSHR).

**Actions**

- OSHR developed a new Temporary Employment Policy, which includes a purpose statement, definitions, roles, responsibilities, and general provisions. The final policy was approved by the State Human Resources Commission on October 6, 2016 with an effective date of November 1, 2016.
- The transition of all temporary employees to Temporary Solutions is complete for all state agencies.
- The State Human Resources Director will review all approved exceptions on an annual basis to determine if the exception is still warranted and to ensure that agencies are adhering to the Temporary Employment Policy.
- OSHR developed a new tracking system to capture the employment data of temporary employees provided to state agencies by private staffing companies. State agencies are now required to submit this data to Temporary Solutions on a quarterly basis. The data is combined with employment data of temporary employees within the BEACON system to identify temporary employment trends within state government.

**Follow-Up Report**

In September 2017, PED issued a follow-up report to this evaluation, focusing on transition of agencies to Temporary Solutions and subsequent savings provided to the State.
North Carolina Should Discontinue the Economic Development Tiers System and Reexamine Strategies to Assist Communities with Chronic Economic Distress

**Summary:** The economic development tiers system ranks North Carolina counties according to an index of economic measures and low-population/high-poverty adjustments. The Department of Commerce assigns each county a designation of Tier 1, Tier 2, or Tier 3, with Tier 1 counties being the most economically distressed. The system was created to distribute business tax incentives but that program expired in 2014, and currently the only incentives awarded through its use are discretionary grants. Fifteen state programs use the tiers system to distribute resources, but these programs are not directing more resources to the most economically distressed areas. The system has been altered incrementally during the past 30 years, but components of its formula still distort identification of economic distress. The General Assembly should discontinue the economic development tiers system for all non-economic development programs by July 1, 2017; sunset the system for all economic development programs as of July 1, 2018; and form a legislative commission to reexamine the State’s strategy for identifying and assisting economically distressed communities.

**As a result of this study:** House Bill 1082/Senate Bill 844 (2015–16) proposed eliminating the use of the economic development tier structure. This legislation was not enacted.

Implications of Funding Alcohol and Substance Abuse Treatment or Prevention with Alcohol Tax Earmark

**Summary:** The impetus for this study was a request from the Alcoholic Beverage Control (ABC) Commission to the General Assembly to redirect the $1.4 million alcohol tax earmark from the Department of Health and Human Services (DHHS) and substance abuse treatment services to the ABC Commission’s underage drinking prevention initiative. During the course of this project, the ABC Commission approved an increase in the bailment surcharge, a fee that funds the Commission’s operations, to pay for the underage drinking prevention program and therefore no longer needs the DHHS earmark. This report first details how DHHS uses the $1.4 million alcohol tax earmark and the potential consequences of redirecting the funding to the ABC Commission. Next, the report describes the ABC Commission’s past and present efforts to create and fund an underage drinking program called Talk It Out. Finally, this report presents actions the General Assembly could take to ensure the Talk It Out program is successful.
Volunteer Fire and Rescue Finances

Summary: The 2013–15 Program Evaluation Division work plan directed the division to review state-administered funds related to fire, rescue, and emergency management services departments, including the eligibility criteria for these funds, benefits received, and oversight of funds. During this evaluation, PED issued four reports.

- **Local Boards and Associations Administer Firefighters’ and Rescue Squad Workers’ Relief Funds with Limited State Oversight.** The Firefighters’ Relief Fund (which has a state and local component) and the Rescue Squad Workers’ Relief Fund provide benefits to firefighters and rescue personnel. Relief fund money is not being spent by local boards and non-profit associations at the rate intended by the General Assembly, has been spent on non-permitted uses, and is being invested without regulation. The General Assembly should either consolidate the state and local firefighters’ relief funds and make administration of that consolidated fund along with the Rescue Squad Workers’ Relief Fund the responsibility of the Department of Insurance (DOI) or improve oversight of all relief funds under their current administrative structures.

- **Revenue and Cost Trends Indicate Deficit in Volunteer Safety Workers’ Compensation Fund in FY 2020–21.** The Volunteer Safety Workers’ Compensation Fund provides workers’ compensation benefits to emergency first responders for compensable injuries or deaths. Without an increase in the revenue base, annual fund expenditures will exceed total assets beginning in Fiscal Year 2020–21. To help maintain the long-term health of the Fund, the General Assembly should direct the State Fire and Rescue Commission to increase annual member premium income, modify DOI’s actuarial responsibilities with regard to the Fund, require the commission to enhance the Fund’s cost-containment efforts by using a more data-driven approach, and amend statute to clarify Fund eligibility conditions.

- **Department of State Treasurer Should Strengthen Its Oversight of the Firefighters’ and Rescue Squad Workers’ Pension Fund.** The Firefighters’ and Rescue Squad Workers’ Pension Fund provides $170 per month in retirement benefits. The Pension Fund is adequately funded, but the State’s annual required contribution now exceeds the amount of property insurance premium tax proceeds going to the General Fund. The Department of State Treasurer overstated appropriation requests due to overly conservative actuarial assumptions; accepted delinquent member contributions without collecting additional costs to compensate for lost investment earnings; and minimally enforced the prohibition against paying benefits to members still working as firefighters or rescue workers. The department is taking steps to address these issues, and the General Assembly should require annual reports on its progress.

- **Improved Oversight of Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund Needed; $8 Million Surplus Found.** The Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund provide matching grants for fire and rescue departments to purchase equipment and make capital improvements. DOI’s failure to compare actual to projected receipts for both grant programs has resulted in an $8 million surplus in the Volunteer Fire Department Fund. Additionally, DOI’s oversight of the grant award and distribution process could be improved. The General Assembly should determine how to apply the surplus in the Volunteer Fire Department Fund and direct DOI to improve its oversight of both grant programs.

The General Assembly enacted legislation to strengthen oversight and management of state-administered funds for fire and rescue departments.
As a result of this study:

**Legislation**

- **Relief Funds.** *Session Law 2014-64, Section 1* provided guidance on minimum and maximum local relief fund balances, required local relief fund boards and statewide associations to act as prudent trustees of relief funds and report to DOI, and required DOI to create a new database of relief fund expenditures and to provide annual reporting.

- **Workers’ Compensation.** *Session Law 2014-64, Section 2* required DOI to conduct an annual actuarial study of the workers’ compensation fund; provided a list of requirements for the State Fire and Rescue Commission to include in its contract with the third-party administrator of the workers’ compensation fund, including data on cost-containment efforts and the minimum weekly compensation provision; and amended statutes to correspond to practice by removing the requirement that an "eligible unit" be a volunteer unit and by adding certain statewide associations to the list of eligible units.

- **Pension Fund.** *Session Law 2014-64, Section 3* required the Department of State Treasurer to report on its progress toward building appropriate lapse assumptions into the State’s annual required contribution to the pension fund and collecting timely member contributions to the pension fund. The session law also reduced the percentage of the insurance premium tax going to the Volunteer Fire Department Fund by 5% to allow the Firefighters’ and Rescue Squad Workers’ Pension Fund to make pension distributions to all participants aged 55 and over regardless of whether they have retired from firefighting or rescue squad work.

- **Grant Funds.** *Session Law, 2014-64, Section 4* allowed fire departments with less than $50,000 of income to match Volunteer Fire Department Fund grants on a lower 25/75 match rate; required DOI to annually report the fund balance at the beginning of the grant cycle, cash receipts through the grant cycle, cash disbursements through the grant cycle, and the fund balance at the end of the grant cycle; changed an eligibility standard to receive grants from the Volunteer Fire Department Fund from serving a response area with a population of 12,000 or less to having a national fire suppression rating of five or higher, regardless of district size; and required that a dissolved department transfer all equipment purchased with grant funds to a successor department and that a department reimburse a fund if the department disposes of equipment purchased with grants.

  *Session Law 2015-241, Section 6.20.(b)* placed the Rescue Squad Workers’ Relief Fund and Volunteer Rescue/EMS Fund under continuation review, a program evaluation conducted by state agencies to justify continued funding of identified programs.

**Actions**

- **Relief Funds.** DOI reports that with new reporting requirements in place, it is able to perform more detailed oversight of fund operations and uses. The North Carolina State Firemen’s Association (NCSFA) reports it has accomplished all actions required by *Session Law 2014-64*, including providing guidance to local departments and boards on minimum and maximum fund balances, tracking approvals and denials in a database, adding required information to its annual report to DOI, and creating a Relief Fund Guide for local boards. Meanwhile, the North Carolina Association of Rescue & E.M.S., Inc. (NCAREMS) is reporting information on expenditures to DOI and is adding identifying fields to its database that match DOI listings in order to enhance the efficiency and accuracy of data transfers regarding fund expenditures.

- **Workers’ Comp.** The publication of PED’s report coincided with the Board’s decision to raise member premiums for Fiscal Year 2014–15, thereby increasing the income of the Volunteer Safety Workers’ Compensation Fund. Trends in claim costs will still need to be monitored to determine if this change will be sufficient to keep the program well-funded. DOI reports that an actuarial study has not yet been completed. The department plans to either conduct
the study itself or contract with a third-party actuary to do so, though additional funding would be needed in the latter scenario.

- **Pension Fund.** The Department of State Treasurer reports that 85% of fire and rescue departments submitted contributions in advance of the March 31, 2016 deadline and that agencies submitting contributions after the deadline were given three choices: 1) to post money to accounts to apply as contributions for future years; 2) to purchase the 2014 contributions pursuant to G.S. 58-86-45; or 3) to have the funds returned. No exceptions to this policy were granted.

- **Grant Funds.** DOI reports that an audit found the Volunteer Fire Department Fund has a fund balance in excess of $7.7 million as of March 2016 that will be applied towards the next cycle of grant awards. DOI’s controller’s office will now be directly involved in determining availability of funds for distribution of grant awards and will ensure that all recommendations are based on documented analyses of current receipts, projected revenues, and unexpended prior year fund balances. Procedures are now in place to rely on actual receipts rather than projected receipts. In addition, DOI reports it has implemented staffing and operational changes to ensure a greater level of oversight with both grant programs. It has drafted modified language regarding transfer of grant equipment by dissolved departments to nearby departments to be included in the payment form signed by grant recipient departments.

**Follow-Up Report**

In May 2016, PED issued a follow-up report to its series of four reports published in 2013 and 2014 on state-administered funds related to fire, rescue, and emergency management services departments.
Improved Administrative Program Monitoring by DPI Can Save Over $19 Million Annually

**Summary:** In Fiscal Year 2012–13, the State spent $12 billion to provide a system of free public education. To ensure these funds are effectively used, the Department of Public Instruction (DPI) provides administrative services that indirectly support achievement of student outcomes. The cost to provide these services could be reduced by $19.3 million annually by changing the formula to allocate funds for school bus operations and by reducing textbook warehouse staffing. An additional $6.1 million of non-recurring savings could be realized by reducing the statewide fleet of spare school buses and the inventory of replacement parts. Currently, DPI’s performance management system does not ensure the effectiveness of its administrative support programs. The General Assembly should direct DPI to take specific actions to improve administrative efficiency and require the department to implement an effective performance management system.

**As a result of this study:**

**Legislation**

- **Session Law 2014-100, Public Education Sections 19, 22, and 31** reduced the allotment supporting the purchase of replacement school buses to reflect lower-than-expected bus prices and departmental operational efficiencies; reduced by approximately 1% the total budget for the allotment, which supports the salaries of transportation personnel and the maintenance of yellow school buses; and reduced State General Fund support for DPI by 10%.

- **Senate Bill 753 (2013–14)** directed DPI to increase the efficiency of school transportation services; revise the state inspection process for county school bus maintenance operations; reduce the operational requirements of the Textbook Services program; develop a plan with the Department of Administration to reallocate unneeded textbook warehouse space to other state agencies; develop and implement a process for monitoring time and resources required for Plant Operation and School Planning services; develop model loss prevention and return-to-work programs; and develop a performance management system. This legislation was not enacted.

**Actions**

- DPI began analyzing school bus parts inventory losses and invoicing Local Education Agencies (LEAs) for any discrepancies, which in 2015–16 totaled $373,792. Sale of used buses and trucks generated $1.8 million.

- DPI is performing ongoing certification of school bus inspectors and spot-checking the condition of school buses, inspecting about 10% of each county’s fleet annually.

- DPI has aggressively solicited agencies with space needs. In addition to the space, DPI can extend support services such as receiving, breakdown, packaging, and shipment to meet agency needs.

- Plant Operation and School Planning continue to provide valuable support for LEAs in North Carolina, especially for those in low-wealth areas of the state. Their services enable schools to operate when emergencies occur and function more efficiently and effectively.

- Action was taken on the Workers’ Compensation program. Return-to-work programs were implemented, and the contract was rewritten to separate workers’ compensation administration and medical services.

- The State Board of Education has issued a strategic plan; DPI has devised an Operational Planning Tool; and Valuing Individual Performance, the North Carolina statewide performance management process, has been implemented.

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The Appropriations Act of 2014 reduced the allotment supporting transportation personnel and the maintenance of yellow school buses, generating $4.6 million in recurring savings.
North Carolina Needs to Strengthen Its System for Monitoring and Preventing the Abuse of Prescribed Controlled Substances

**Summary:** In North Carolina, there are four mechanisms to monitor and prevent the abuse of prescribed controlled substances: oversight of prescribers and dispensers, the Controlled Substances Reporting System (CSRS), Medicaid lock-in, and law enforcement. Currently, prescribing guidelines and continuing education requirements for prescribers are insufficient. The CSRS is underutilized and lacks important features for security and data analysis. Meanwhile, the lock-in program has been non-operational since July 2013, costing the Medicaid program an estimated $1.3 million to $2 million. The General Assembly should direct the development and adoption of statewide prescribing guidelines and require continuing education. The General Assembly also should direct the Department of Health and Human Services (DHHS) to modify the contract for the CSRS to improve performance, improve the effectiveness of the Medicaid lock-in program, and develop a strategic plan and performance management system.

**As a result of this study:**

**Legislation**

- **Session Law 2015-241, Section 12F.16** required adoption of statewide opioid prescribing guidelines and continuing education on the abuse of controlled substances for practitioners; directed DHHS to improve CSRS access and utilization, improve the CSRS contract, and expand CSRS monitoring capacity; directed the Division of Medical Assistance (DMA) to improve the effectiveness and efficiency of the Medicaid lock-in program; and created the Prescription Drug Abuse Advisory Committee and directed it to develop a statewide strategic plan and performance management system to combat prescription drug abuse.

- **Senate Bill 609 (2015–16)** required prescribers and dispensers to review information in the CSRS prior to prescribing or dispensing a controlled substance to a patient and to make a violation of that requirement a criminal offense. This legislation was not enacted.

**Follow-Up Report**

In June 2017, PED issued a follow-up report to this evaluation, spotlighting DHHS’s efforts to date to modify the CSRS contract and improve system performance; enhance prescribing guidelines, continuing education and the Medicaid lock-in program; and develop a strategic plan and performance management system.

North Carolina Needs a Coordinated Strategy to Guide the Changing Landscape of Veterans Programs

**Summary:** In State Fiscal Year 2013–14, North Carolina state agencies and public higher education institutions operated 23 programs for veterans, 11 of which spent $53.9 million solely on veterans and their families. However, few of these programs track outcome data, and therefore the State cannot determine the extent to which they improve the lives of their intended beneficiaries. Although the Governor recently created a Working Group on veterans via executive order, North Carolina lacks a coordinated and comprehensive effort to support veterans in the State. The General Assembly should establish the Task Force on Veterans, Service Members, and Their Families in statute; direct this group to develop and implement a statewide strategic plan to track and improve services for veterans and their families; direct state entities to track and report information to the Task Force; and create a legislative oversight committee to monitor and oversee the implementation of this plan.

**As a result of this study:** **House Bill 118/Senate Bill 126 (2015–16)** established the Task Force for Veterans, Service Members, and Their Families. This legislation was not enacted.
Performance Measurement and Monitoring Would Strengthen Accountability of North Carolina’s Driver Education Program

**Summary:** In response to a 2010 review by PED, the General Assembly passed reforms in 2011 that reaffirmed the responsibility of the Department of Public Instruction (DPI) to administer the driver education program. While generally responsive to the 2011 reform law, DPI’s strategic plan lacks objectives and quantitative performance indicators. In addition, DPI does not have a uniform method to deliver driver education statewide, performs no monitoring of Local Education Agency (LEA) instructors, and failed to conduct a valid pilot project for testing the effectiveness of online versus traditional instruction. The General Assembly should require statewide performance measures and a data-driven outcome monitoring system for driver education as well as a feasibility study on offering uniform online classroom driver education.

**As a result of this study:**

**Legislation**

- **House Bill 72/Senate Bill 91 (2015–16)** required the School of Government at the University of North Carolina to coordinate a working group charged with developing standards for state agencies to use when designing and implementing pilot projects mandated by the General Assembly and to require the Office of State Budget and Management to adopt rules implementing the standards. This legislation was not enacted.

- **House Bill 1038/Senate Bill 751 (2013–14)** required the State Board of Education to establish and utilize performance indicators; DPI to establish a follow-up information management system; the Department of Transportation to study the cost and feasibility of delivering driver education through electronic means; and the School of Government at the University of North Carolina to establish standards for use by all departments, agencies, bureaus, divisions, and institutions of the State when conducting and completing pilot projects requested by the General Assembly. This legislation was not enacted.

Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed

**Summary:** Occupational licensing agencies (OLAs) are state agencies that regulate the licensure of persons within a particular profession or occupation but do not receive state general revenue and are not subject to legislatively mandated spending restrictions. The Program Evaluation Division found that transferring regulatory authority or administrative responsibilities from OLAs to a central state agency may not result in improved performance and would likely entail significant implementation costs. PED also determined that there is insufficient state-level oversight to ensure OLAs are efficiently and effectively protecting the public. The General Assembly should establish an Occupational Licensing Commission to assist the General Assembly and OLAs in improving effectiveness and resolving disputes; ensure that the OLAs required to comply with reporting requirements are clearly defined and listed; ensure the complaint process used by OLAs includes specified capabilities and attributes; and assign a legislative committee to evaluate the continuing need for licensing authority for 12 identified OLAs.

**As a result of this study:** **Session Law 2015-286** directed the Joint Legislative Administrative Procedure Oversight Committee to review the report and determine the best way to accomplish its recommendations and improve oversight of occupational licensing boards.
Revising State Child Support Incentive System Could Promote Improved Performance of County Programs

Summary: The North Carolina Child Support Services (NCCSS) program operates under a state-supervised, county-administered model. Based on federal performance measures, the program ranks 24th among the 50 states. NCCSS does not effectively use its federal incentive award to promote improved county program performance. Additionally, NCCSS has not established specific spending guidelines and does not track incentive payment expenditures. The General Assembly should direct NCCSS to retain 25% of federal incentive money to improve centralized services and provide employee incentive bonuses and should direct counties to report how incentive payments are being reinvested and to maintain their level of expenditures.

As a result of this study:

Legislation

- **Session Law 2015-51** required the Department of Health and Human Services (DHHS), Division of Child Development and Early Education and the Division of Social Services, to develop a plan requiring a custodial parent or other relative or person with primary custody of a child receiving child care subsidy payments to cooperate with county child support services programs as a condition of receiving child care subsidy payments.

- **Session Law 2015-241, Section 12C.17** directed NCCSS to retain up to 15% of the annual federal incentive payments it receives from the federal government to enhance centralized child support services; establish guidelines that identify appropriate uses for federal incentive funding; and develop an implementation plan.

Actions

- DHHS issued its “North Carolina Child Support Incentives – Proposed Plan,” which resulted from an incentives workgroup with county representation formed in the spring of 2015 and outlines how NCCSS will assist local child support agencies in increasing their performance and overall effectiveness.

- NCCSS also has developed an Incentives Guide that includes the incentives performance methodology, an incentives overview, the suggested use of incentives, and instructions for waivers.

- As a condition of receiving federal incentive funds, each county submitted a plan that is due to NCCSS by August 1 of each state fiscal year documenting how they plan to reinvest incentive money at the county level during the ensuing year.

- NCCSS will report by November 1 each year on how the federal incentive funding has improved program effectiveness and efficiency.

Follow-up Report

In February 2017, the Program Evaluation Division issued a follow-up report to its evaluation of NCCSS that outlined the program’s timeline of enhancements for increasing the performance and effectiveness of local child support agencies and illustrated the program’s improved performance on the federal performance measures since the publication of PED’s 2014 report.
Overnight Respite Pilot at Adult Day Care Facilities Perceived as Favorable, but Lacked Objective Measures of Success

Summary: Session Law 2011-104 authorized the Department of Health and Human Services to pilot an overnight respite program in four facilities that provide adult day care and directed the Program Evaluation Division (PED) to evaluate its success. Stakeholders perceive the pilot as successful, but only one of the facilities consistently provided overnight respite. PED found the legislative mandate for the pilot and its implementation only met 2 of 10 recommended components of a well-designed pilot program. In addition, the legislative prohibition against using state or Medicaid funding hindered its effectiveness. Furthermore, no organization affiliated with respite care maintains data on the need for the service. The General Assembly should allow the pilot program authorizing overnight respite at adult day care facilities to expire on June 1, 2015, and require state agencies and institutions initiating pilot projects to adhere to standards established by UNC’s School of Government.

As a result of this study:

Legislation

- Session Law 2015-52 extended the duration of the overnight respite pilot program and required a more comprehensive evaluation of the pilot program.
- Session Law 2015-241, Section 12.G3.(a) expanded the overnight respite service to adult day care facilities statewide, making it a permanent service, and set the pilot program to be repealed upon the adoption of licensure rules or in June 2017, whichever was earliest. The legislation also allowed these facilities to collect state and Medicaid funding for the service.
- House Bill 70/Senate Bill 43 (2017–18) required the School of Government at the University of North Carolina to develop standards for state agencies to use when designing and implementing pilot projects mandated by the General Assembly, required the Office of State Budget and Management to adopt rules implementing those standards, and required all pilot projects mandated by the General Assembly to use those standards. This legislation was not enacted.

Actions

- The final report required by Session Law 2015-52 was submitted by DHHS and accepted by the Joint Legislative Program Evaluation Oversight Committee at its September 12, 2016 meeting.
DHHS Should Integrate State Substance Abuse Treatment Facilities into the Community-Based System and Improve Performance Management

Summary: North Carolina's public system for adult substance abuse treatment has two primary components—the community-based system of Local Management Entities/Managed Care Organizations (LME/MCOs) and the three state-operated Alcohol and Drug Abuse Treatment Centers (ADATCs). Separation of ADATCs from the community-based system creates operational silos, which impose challenges to utilization management and continuity of care and limit the State’s ability to address service gaps and manage costs. North Carolina also lacks an adequate performance management system that tracks long-term outcomes of public substance abuse treatment. The General Assembly should require the Department of Health and Human Services to integrate ADATCs into the community-based system by transitioning funding to LME/MCOs and requiring LME/MCOs to pay for services at ADATCs. The General Assembly also should direct the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) to strengthen its performance management by tracking long-term outcomes of treatment.

As a result of this study:

Legislation

Session Law 2015-241, Section 12F.12.(a) terminated all state appropriations for state-operated ADATCs beginning with Fiscal Year 2015–16 and instead appropriated funds to DMH/DD/SAS for community services in order to allow LME/MCOs to assume responsibility for managing the full array of publicly funded substance abuse services, including inpatient services delivered through ADATCs. Starting September 18, 2015, all direct state appropriations for ADATCs were terminated, and ADATCs became 100% receipt-supported.

Actions

- ADATCs continue to comply with Session Law 2015-241, Section 12F.12.(a). The Division of Health Service Regulation has established and fully implemented the licensure process and adopted regulations effective April 1, 2017.
Front Row (left to right): Sidney Thomas, John Turcotte, Jacob Ford, Emily McCartha

Second Row (left to right): Jennifer Hausman, Adora Thayer, Brent Lucas, Kiernan McGorty

Third Row (left to right): Carol Shaw, Sara Nienow, Natalie Garrett, Sean Hamel

Fourth Row (left to right): Jim Horne, Jeff Grimes, Doris Gilbert, Josh Love

(Photo courtesy of Jesse Mitchell).

For more information

Program Evaluation Division
North Carolina General Assembly
Legislative Office Building, Suite 100
300 North Salisbury Street
Raleigh, NC 27603-5925
919-301-1404
john.turcotte@ncleg.net

www.ncleg.net/PED

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